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INTRODUCTION

In accordance with the City Auditor's 1991-92 Workplan, we performed a limited review of the City of San Jose's downtown parking program. This report should provide additional information to the San Jose City Council for deciding downtown parking policy and to the City Administration for formulating strategic plans.

We conducted this review in accordance with generally accepted government auditing standards. Because this was not a program performance audit, we did not assess the program for economy, efficiency, effectiveness, or legal compliance, nor did we assess the program's internal control environment. We limited our work to those areas specified in the Scope and Methodology section of this report.

SCOPE AND METHODOLOGY

The scope of our review of the City of San Jose's downtown parking program was limited to the following:

- Gathering, analyzing, and reporting on statistical information about the supply of downtown off-street parking spaces and revenues earned from them;
- Attesting to the City Administration's estimates for current and estimated future costs and foregone revenues associated with the validated and free parking aspects of the program; and
- Analyzing the financial impact on owners of private parking lots and garages located near public lots and garages that the City will include in its expanded validated and free parking programs.

Background material for our review came from various City and contracted consultant studies on downtown parking supply, usage and needs, financing alternatives, and capital maintenance requirements, as well as from copies of City Council resolutions related to parking.

To report on the supply of downtown off-street parking spaces, we obtained and reviewed the most recent inventory lists of downtown off-street parking facilities from both the Redevelopment Agency and the Department of Streets and Traffic. To determine the accuracy and completeness of these 1990-91 inventories, the City Auditor's staff conducted its own physical inventory of downtown off-street parking facilities on August 22, 1991.

To determine the City Administration's reported cost estimates for both the current and proposed downtown parking programs, we reviewed various recent memoranda addressed to the City Council, listened to the tape recording of the June 25, 1991, City Council session on conceptual changes to the downtown parking program, and interviewed City Administration staff. To verify the Administration's reported cost estimates, we also reviewed various revenue statements that Administration staff provided.

To estimate costs the City Administration did not report, we reviewed and analyzed various revenue statements and parking ticket and validation stamp usage reports. We obtained these documents from City Administration staff, the City's external auditors (KPMG Peat Marwick), AMPCO Parking, San Jose Parking, and other private garage operators.

To complete our review of the downtown parking program within a limited time frame, we did not audit the information in any of the revenue reports or parking ticket and validation stamp usage reports. Further, we did not review the controls in the computer or manual systems used to produce any of the documents we used.

To analyze the financial impact of the City's proposed expansion of validated and free parking on owners of private parking lots, we interviewed private parking lot owners and operators, property managers, and some retail merchants. We met with private lot operators and attended a meeting of the Parking Committee of the San Jose Downtown Association.

We mailed a detailed parking rate and facility utilization survey questionnaire to owners and operators of privately owned downtown parking lots. We specifically asked those owners and operators what effect the City's current validated and free parking has on their operations, as well as what effect an expanded downtown parking program could have. We summarized the survey responses we received beginning on Page 35 of this report. Because of its proprietary nature, we did not detail the results of our survey in this report.

We appreciate the cooperation we received from the management and staff of the Redevelopment Agency and the Department of Streets and Traffic. We also thank the individuals from the private sector who contributed their time, information, and insight.

BACKGROUND

The City Council first approved a parking validation program on November 19, 1985. City Council Resolution No. 58746 stated that the City Council desired “to ameliorate the parking problems associated with said [San Jose Transit Mall] construction.” The original validated parking program offered only one hour of reduced-rate parking with merchant validation at four downtown parking facilities and decreased the evening parking rate at one facility. This was the beginning of City-subsidized daytime and evening parking in downtown San Jose.

In April 1986, the City Council passed City Council Resolution No. 59033, which expanded the subsidized parking program by removing the validation requirement and offering free two-hour parking at designated facilities located in the “Transit Mall Project Impact Area.”¹ The resolution also established the policy of free parking in the evening after 6:00 p.m. and on the weekends at all garages except the Market Street Garage.

To prevent abuse and limit the use of free parking to downtown business customers (rather than employees or students), the City Council decided to reinstate the requirement for merchant validation in September 1986. Under the modified parking program, customers must obtain special merchant validation stamps to receive two-hour free parking.

¹ City Council Resolution No. 59033 defined the “Transit Mall Project Impact Area” as follows: “Starting at the intersection of Market Street and San Salvador Street, easterly on San Salvador Street to Third Street, then northerly on Third Street to St. James Street, then westerly on St. James Street to North Second Street, then northerly on North Second Street to Julian Street, then westerly on Julian Street to Market Street, then southerly on Market Street to San Salvador Street.”

In November 1987, the City Council passed a resolution that significantly redefined the rationale for the validated parking program. Resolution No. 60217 stated that *“It is desirable to continue adequate parking at attractive rates in the Downtown area in support of the City and Agency’s economic development and redevelopment plans.”* The resolution extended the program until July 1, 1989, with a total project budget of \$250,000, half of which was to come from City parking funds and the other half from the Redevelopment Agency.

Since 1987, the City Council has voted to continue the validated parking program. In addition, since 1989 the following notable events have occurred relating to the downtown parking program:

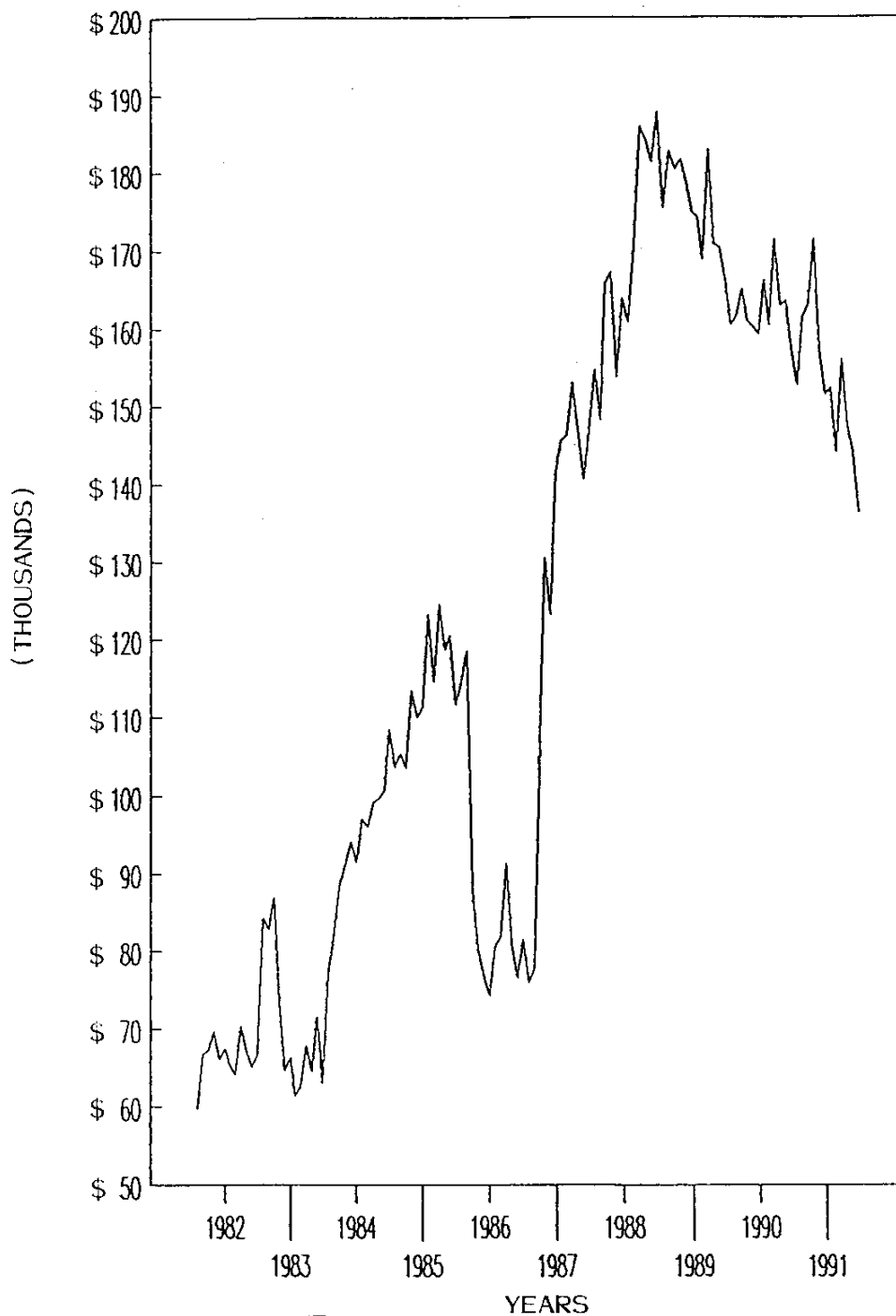
- In 1989, the Retail Pavilion North Lot and Garage were added as participating parking facilities.
- During six weeks of the 1989 Christmas season, the City paid the operating and publicity costs for providing all-day free parking at the Block 3 Lot, while continuing the two-hour validated parking program at the other parking facilities in the program. After the Christmas season, the Block 3 Lot was closed for development.
- In August 1990, the City Council authorized \$40,000 for the promotion and advertising of the validated parking program.
- Since the inception of the validated parking program, the Redevelopment Agency has contributed half of the cost of the program. However, as of July 1, 1990, the Redevelopment Agency’s contribution to the program ceased, and the Parking Fund has absorbed the full cost of foregone revenues and the administration of the program.

Revenue Trends For City's Parking Facilities

Graphs I through V show ten-year revenue trends (combined and individual) for the following four City downtown parking facilities: Fountain Alley Lot, Market Street Garage, Third Street Garage, and Block 6 Garage.

The revenue trends reflect the impact of the Transit Mall construction and the City Council's policy decisions regarding the validated and free parking programs. For example, the Transit Mall construction in 1986 severely affected the Fountain Alley Lot when its revenues decreased from a high of \$24,715 per month to \$6,280. Another facility, Market Street Garage, was closed in late 1985 and early 1986 for its own construction project that added three new levels to the garage. Further, while Transit Mall construction minimally affected the Third Street Garage in 1986, the garage had been closed earlier in 1983 for its own renovation. As is shown in Graphs I through V, new facilities, parking rate increases, and the completion of the Transit Mall increased parking revenues from 1986 through 1988. However, parking revenues have steadily decreased overall from 1988 through 1991 because of the City's subsidized parking program.

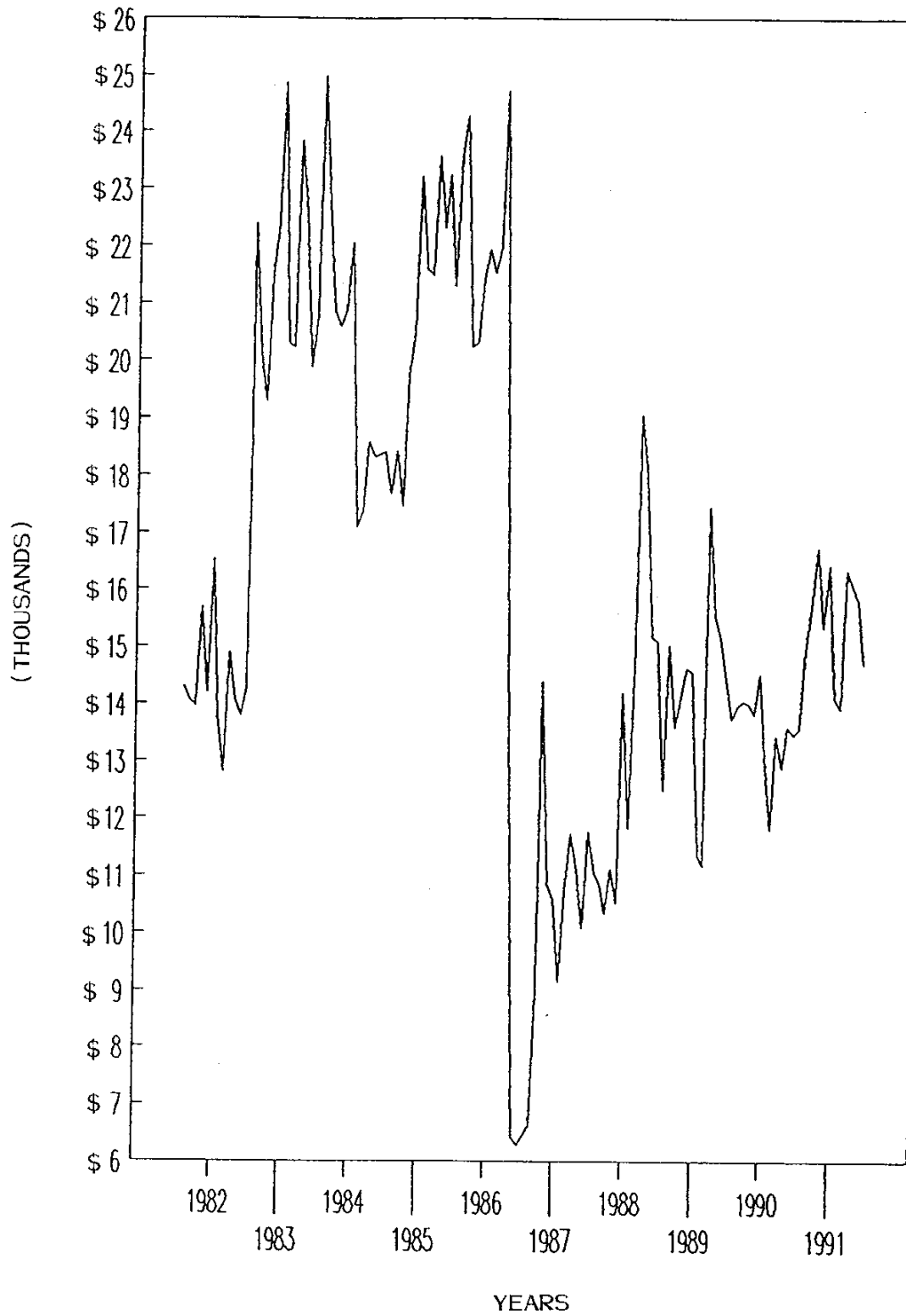
GRAPH I
PARKING REVENUE TREND
FOUR CITY FACILITIES (COMBINED)*
FROM 1982 THROUGH 1991



* The facilities are the Fountain Alley Lot, Market Street Garage, Third Street Garage, and Block 6 Garage.

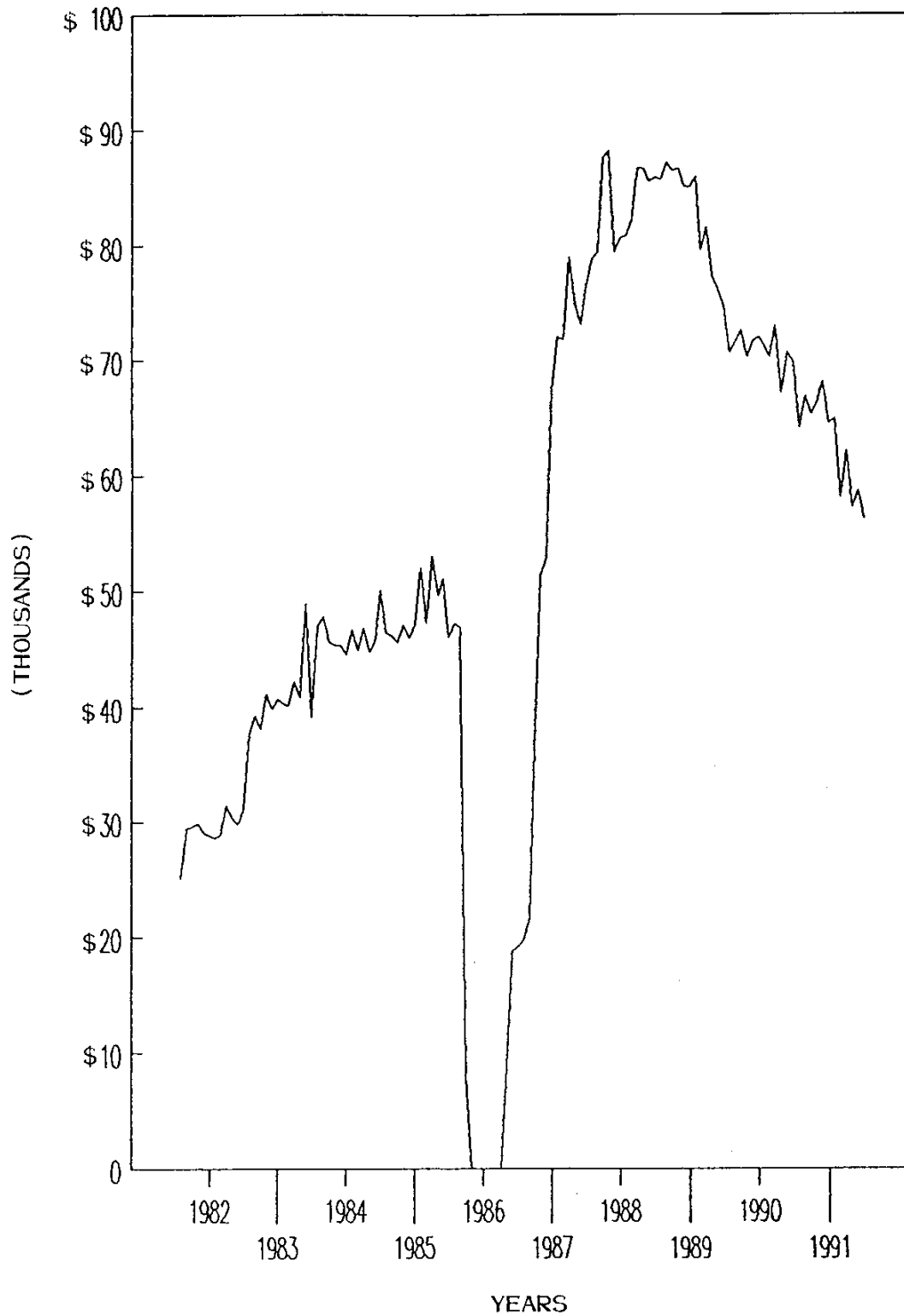
GRAPH II

**PARKING REVENUE TREND
FOUNTAIN ALLEY LOT
FROM 1982 THROUGH 1991**

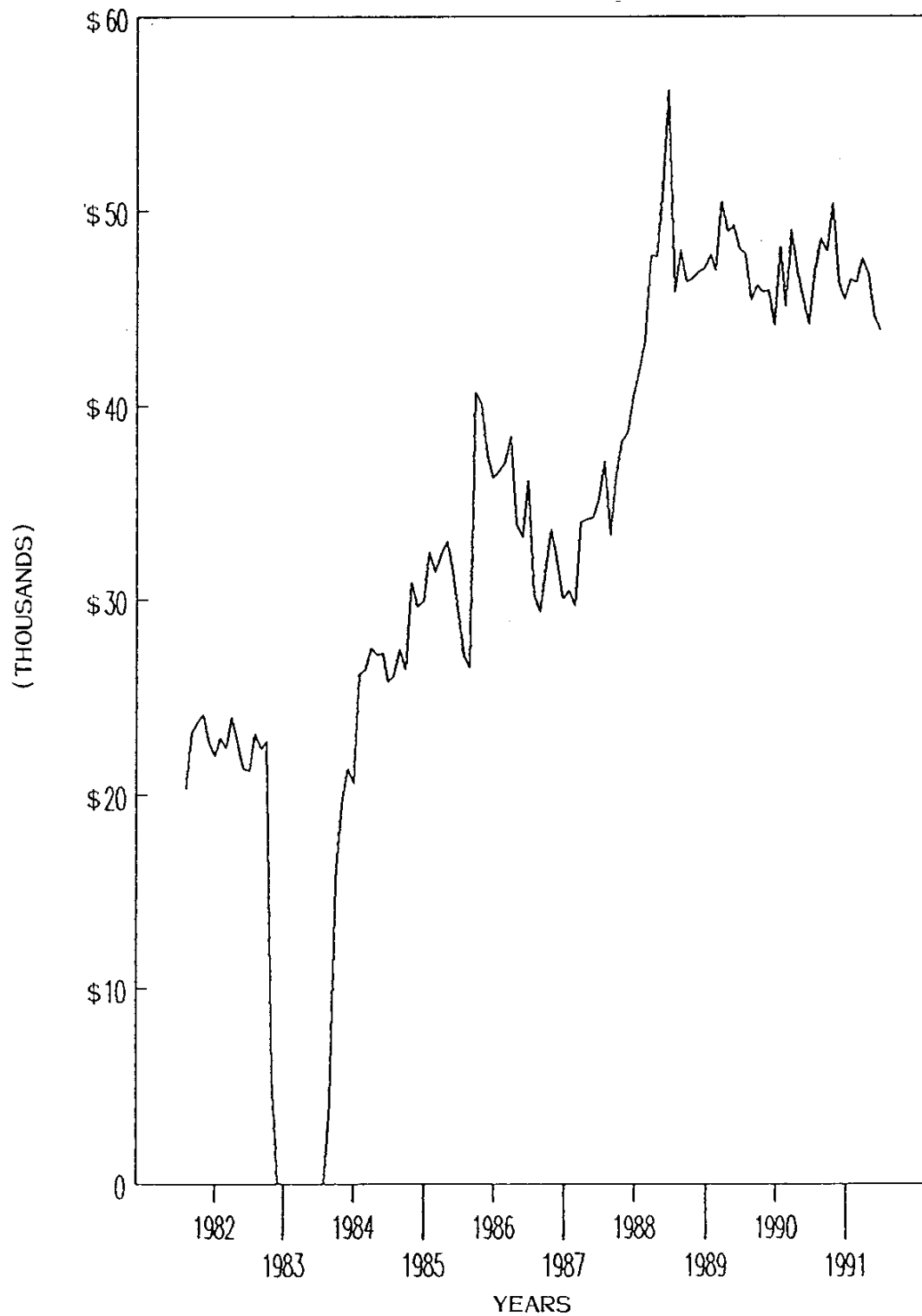


GRAPH III

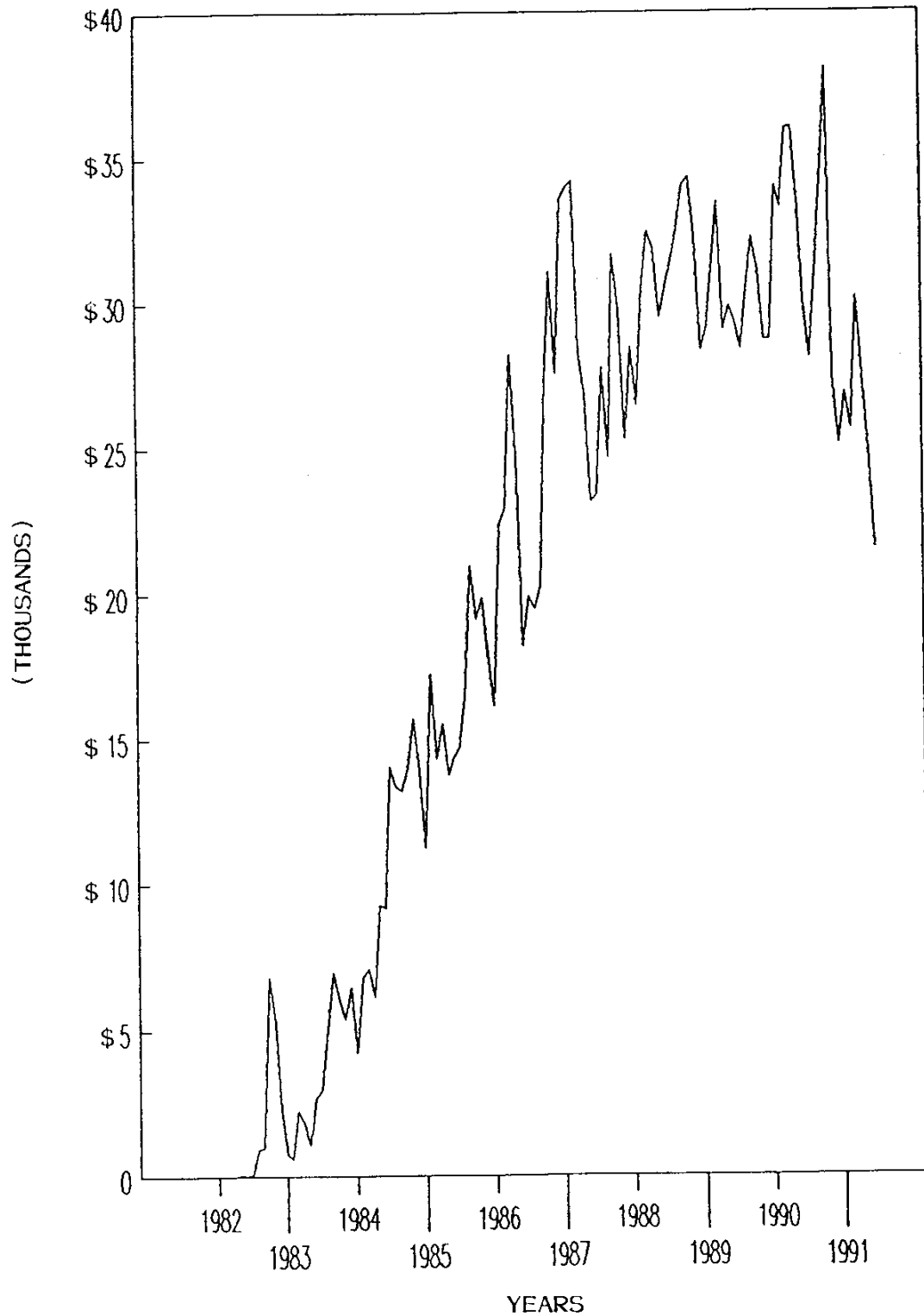
PARKING REVENUE TREND MARKET STREET GARAGE FROM 1982 THROUGH 1991



GRAPH IV
PARKING REVENUE TREND
THIRD STREET GARAGE
FROM 1982 THROUGH 1991



GRAPH V
PARKING REVENUE TREND
BLOCK 6 GARAGE
FROM 1982 THROUGH 1991



Foregone City Revenue

Table I shows the cumulative value of the City's foregone revenues related to the two-hour daytime validated parking program since it began in April 1986. It should be noted that City Administration has not tracked the cumulative value of foregone revenues from the free evening and weekend parking program. Without actual records of the number of cars parked or the number of hours cars were parked, we could not determine either the initial fiscal impact of free evening and weekend parking or the cumulative cost to date.

TABLE I

**REVENUE IMPACT OF TWO-HOUR VALIDATED PARKING PROGRAM
ON THE CITY OF SAN JOSE'S PARKING OPERATIONS
FROM APRIL 14, 1986 THROUGH JUNE 30, 1991**

Lot Number And Name	1986	1987	1988	1989	1990	1991	TOTAL
Third Street (Lot 2)	\$12,239	\$26,932	\$20,063	\$17,545	\$14,015	\$16,519	\$107,313
Fountain Alley (Lot 6)	76,589	179,834	148,746	154,265	183,390	184,919	927,743
Lot 7*	9,318	0	0	0	0	0	9,318
Block 6 (Lot 19)	44,852	103,531	39,331	11,681	12,251	11,639	223,285
Lot 22*	18,281	0	0	0	0	0	18,281
Lot 24**	13,012	57,213	39,980	14,718	1,588	0	126,511
TOTAL FOREGONE REVENUE DUE TO VALIDATED PARKING	\$174,291	\$367,510	\$248,120	\$198,209	\$211,244	\$213,077	\$1,412,451

* These two lots were turned over for development as of July 1, 1986.

** This lot was turned over to the Redevelopment Agency on January 1, 1990.

Current Validated Parking Program

On June 25, 1991, the City Council approved the continuation of the validated parking program for 1991-92. Under the current program, participating downtown merchants can purchase validation stamp books of 100 half-hour stamps at the nominal cost of between \$5.00 and \$10.00 per book (depending on the number of books purchased). The maximum value of the 100 validation stamps is \$75.00. There is a two-hour maximum validation accepted on each parking ticket.

The validation stamps can be used at the following facilities:

- Block 6 Garage (AMPCO Lot 19);
- Fountain Alley Lot (AMPCO Lot 6);
- Pavilion East Lot (Block 3) (AMPCO Lot 24);
- Pavilion North Lot (Block 2) (AMPCO Lot 176);
- Pavilion Garage (AMPCO Lot 174);
- Third Street Garage (AMPCO Lot 2); and
- Private facilities willing to accept the stamps without City reimbursement.

The current operating times for the validated parking program are as follows:

- Monday through Sunday, 7:00 a.m. to 6:00 p.m.
(Validations seven days a week)
 - Fountain Alley Lot

- Monday through Friday, 7:00 a.m. to 6:00 p.m.
(Validations weekdays only; free after 6:00 p.m. and on weekends)
 - Block 6 Garage
 - Pavilion East Lot (Block 3)
 - Pavilion North Lot (Block 2)
 - Pavilion Garage
 - Third Street Garage

On June 25, 1991, the City Administration and the Redevelopment Agency submitted a joint memorandum proposing a plan to provide for current and future downtown parking. At that same meeting, the City Council accepted the City/Agency proposal in concept and directed staff to prepare the implementation plan. Finding I of this report summarizes our analysis of the proposal the City Council approved in concept.

FINDING I

THE CITY ADMINISTRATION'S JUNE 25, 1991, PRESENTATION TO THE CITY COUNCIL NEEDS TO BE CLARIFIED AND ENHANCED

On June 25, 1991, the City Administration and the Redevelopment Agency made a presentation to the San Jose City Council on current and proposed downtown parking policies. Our review revealed that the City Administration and Redevelopment Agency's presentation to the City Council did not

- Clearly define which off-street parking facilities would be affected by the validated parking and free parking aspects of the proposed downtown parking program or give a clear picture of what those changes would be;
- Accurately report the total cost of the current or proposed validated and free parking programs; or
- Justify continuing the existing validated and free parking programs or set measurable objectives for them.

Furthermore, our review disclosed that the City and the Redevelopment Agency do not have a consistent inventory of the downtown off-street parking facilities and spaces. During our review, we developed information concerning the above issues for City Council consideration when deciding current and future policies for downtown off-street validated and free parking.

**City Administration's June 25, 1991, Presentation
To City Council On The Downtown Parking Program**

On June 25, 1991, the City Administration and the Redevelopment Agency made a presentation to the San Jose City Council on downtown parking policies. The City Administration and the Redevelopment Agency submitted a joint memorandum proposing a plan to provide for current and future downtown parking. The Parking Advisory Commission and Councilmember David Pandori also submitted memoranda supporting the proposed plan, with certain modifications. At the meeting, the City Council accepted the City/Agency proposal in concept and directed staff to prepare the implementation plan.

The main discussion of the proposed plan was based on the joint memorandum from the City Manager and the Redevelopment Agency's Executive Director. The memorandum proposed an integrated downtown parking program that addressed the financing of future parking facilities and proposed the expansion of downtown validated and free parking. In general, the City proposed to expand the validated and free parking, while the Agency proposed to provide funds for the acquisition and construction of future parking facilities.

The major points of the City/Agency downtown parking program concept were the following:

1. The City/Agency would selectively expand the validated and free parking. There would be free parking weekdays after 6:00 p.m. and all day on holidays, Saturdays, and Sundays at several designated public parking facilities. The Convention Center and adjacent lots would be free after 9:00 p.m. every day. The

Market Street Garage would provide free parking to patrons on evenings, Saturdays, Sundays, and holidays.

2. The City would use parking funds to acquire a garage site in the Third Street area, and the Redevelopment Agency would provide funding for construction of the facility. With the opening of the new Third Street area garage, the existing Fountain Alley parking lot site would be slated for redevelopment and, if sold, the proceeds would go to the Parking Fund. It should be noted that, because appropriate development opportunities for the Fountain Alley site may not be forthcoming, the Agency does not know when the sale will occur.
3. As the demand for parking increases, the Agency would acquire sites and develop parking structures approximately every five years. At least 50 percent of this new parking would be short-term parking.
4. The City would be responsible for operating the new parking facilities. The City's Parking Fund would receive all revenues from parking operations and would pay the costs to operate the facilities. The Parking Fund would be managed to ensure that parking revenues and Agency funds would cover all the costs to operate the parking facilities, thereby protecting the General Fund from liability.
5. The purpose of both the validated and free parking programs would be to provide convenient, short-term parking for downtown business customers, not downtown employees. The City and the Agency, in conjunction with the Downtown Association, would establish a parking incentive program for downtown employees to use designated parking areas.
6. The City and the Agency would embark on a downtown sign program in support of the downtown parking program to direct vehicles to the nearest parking facility and to inform downtown visitors of City-owned facilities that participate in the validated parking program.

The City/Agency proposal underscores the evolution in the City's policy for downtown parking, as the original validated parking program was intended only to provide relief to downtown merchants who suffered lost business because of Transit Mall construction. The objective of the City/Agency downtown parking program proposal is to make the expanded program an essential part of a long-term, integrated, downtown economic development plan by encouraging patronage of downtown merchants and entertainment. Thus, the proposal asks the City Council to view both validated and free parking as long-term programs to service the downtown community. In return, the proposal promises that the City will realize increased sales tax revenues.

Our review focused on the City/Agency plan for expanding both the validated and free parking aspects of the program. We sought to clarify the impact the proposed program's expansion would have on each facility's hours of operation, operating costs, and foregone revenues. We also reviewed documents and interviewed staff to determine the reasons for and objectives of the validated and free parking programs.

**The Off-Street Parking Facilities Included
In The Expanded Programs For Validated And Free
Parking Were Not Clearly Designated**

The City Administration and the Redevelopment Agency's memorandum did not clearly designate which facilities would be included in the proposed program's expansion of validated and free parking. While the memorandum included a map showing the facilities' locations, it did not

specify the current status and hours of validated or free parking by facility or what changes were proposed for each facility.

In our opinion, the City Council needs accurate and complete information about the current downtown parking program before it should consider changes to the program. Without such information, those citizens interested in the program may not comprehend the true scope of the proposed changes. For example, some of the private parking lot operators we surveyed during our review thought that the proposed changes were more sweeping than they actually were. Accordingly, for each facility affected by the City/Agency proposal, the proposal should show the current program status, as well as any changes.

As part of our review, we analyzed the current status of validated and free parking at the ten downtown parking facilities shown on the City/Agency proposal map. We also interviewed City Parking Operations staff to determine how the proposed changes would affect each of these facilities.

Table II compares the current downtown program for validated and free parking with the proposed program by parking facility.

TABLE II
CURRENT AND PROPOSED VALIDATED
AND FREE PARKING PROGRAMS

FACILITY	SIZE*	CURRENT STATUS	PROPOSED CHANGES	HOURS AFFECTED BY CHANGES
Market Street Garage	1427	Free Sundays	Free evenings and weekends	M-F 6 p.m. - 11:30 p.m. Sat 3 p.m. - 11:30 p.m.
Third Street Garage	872	Validations 5 days; free evenings and weekends	No change	No change
Pavilion Garage	287	Validations 5 days; free evenings and weekends	No change	No change
Block 6 Garage	565	Validations 5 days; free evenings and weekends	No change	No change
Convention Center Garage	1213	Accepts library validations only	Free after 9 p.m.	M-Sun 9 p.m. - 11 p.m.
Fountain Alley Lot	152	Validations 7 days; free evenings	No change	No change
Pavilion North Lot (Block 2)	155	Validations 5 days; free evenings and weekends	Validations 7 days; no free weekend parking	Sat-Sun 7 a.m. - Midnight
Pavilion East Lot (Block 3)	468	Validations 5 days; free evenings and weekends	No change	No change
Block 8 Lot (Montgomery Theater)	218	Validations 5 days	Free evenings and weekends	M-F after 8 p.m. Sat-Sun 7 a.m. - 8 p.m.
Cristina-Hall Lot (Center for Performing Arts)	310	Accepts Library validations only	Free after 9 p.m.	M-Sun 9 p.m. - 9:45 p.m.

* Number of spaces as verified by City Auditor's staff on August 22, 1991.

Total Cost Of The Validated And Free Parking Programs

Our review revealed that the City/Agency presentation to the City Council did not include all the quantifiable direct and indirect operating costs or estimated foregone revenues of the current or the proposed validated and free parking programs.

The Streets and Traffic Department staff's estimates of the current costs and foregone revenues of the validated parking program are reflected in the budget they requested for the program. On June 25, 1991, the City Council approved a total project budget of \$255,000 for July 1, 1991, through June 30, 1992. Of that amount, \$215,000 represents foregone revenues and \$40,000 represents direct promotion and advertising costs.

With regard to the proposed expanded free parking program, the City staff estimated foregone revenues to be approximately \$220,000 to \$250,000 (not including those changes to the validated parking program) based on the following:

\$32,820	Proposed free weekends at Fountain Alley Lot
86,880	Proposed free evenings and weekends at Market Street Garage
<u>112,029</u>	Proposed free meters on Saturday
<u>\$231,729</u>	TOTAL

It should be noted that, based on subsequent discussions at a Parking Advisory Commission meeting, both City and Agency staff supported a modification to the original proposal for free weekend parking at the

Fountain Alley Lot and free meters on Saturday. Without these foregone revenues, the estimate would be revised downward to approximately \$90,000.

Thus, City staff estimated foregone weekday revenues from the validated parking program at \$215,000 and foregone revenues from free evening and weekend parking at approximately \$90,000. Therefore, City staff estimated the total cost of the expanded downtown parking program at \$345,000.² This includes foregone revenues from validated and free evening and weekend parking and \$40,000 in direct promotion and advertising costs.

In our opinion, the City's estimates are understated. As part of our review, we prepared our own estimates of the cost of the proposed validated and free parking programs. Our computations indicate that expected annual parking program costs, including direct promotional costs and foregone revenues, may *exceed* the City's estimates by at least \$763,385. The primary reason for this large difference is that the City's estimate excludes much of the base cost (foregone revenues), including library patron validations, for the existing program that will continue. The City's estimate also does not include the foregone revenues from the Agency's Block 8 Lot.

² It should be noted that the City Council did not receive a single memorandum or document outlining the City staff's combined estimate; rather the \$255,000 figure (\$215,000 + \$40,000) was in one memorandum on the validated parking program, and the downtown parking program proposal outlined the \$220,000 to \$250,000 estimate for the free parking program. The original proposal was not revised to reflect decisions regarding free weekend parking at Fountain Alley and at meters on Saturday, which would cause the minimum \$220,000 estimate to be lowered to about \$90,000.

Table III shows our estimates of the determinable costs and foregone revenues associated with the City/Agency current and proposed downtown parking program, including both validated and free parking.

TABLE III
ESTIMATE OF VALIDATED AND FREE PARKING
PROGRAM COSTS AND FOREGONE REVENUES

<u>Description</u>	<u>Owner</u>	<u>Current Parking Program Status</u>	<u>Proposed Changes To Parking Program</u>	<u>Estimate Of Annual Foregone Revenues And Costs Proposed Changes</u>
FACILITIES WITH PROPOSED CHANGES:				
Market Street Garage (Lot 1)	City			
Validations - 2-hour		None	None	\$0
After 6 p.m.		\$3 prepaid	Free	\$59,176 (a)
Sat & Sun		Sat 3 p.m.-11:30 p.m.; Sun free	Also free Saturday	\$34,944 (b)
Convention Center Garage (Lot 26)	City			
Validations - 2-hour		None	No change	\$0
After 6 p.m.		\$3 prepaid	Free after 9 p.m.	Negligible (c)
Sat & Sun		Day \$4 prepaid; After 6 p.m. \$3 prepaid	No change	\$0
Subtotal City Facilities				<u>\$94,120</u>
Block 8 Lot (Lot 170)	Agency			
Validations - 2-hour		Validations 5 days	No change	Unknown (d)
After 6 p.m. & Sat & Sun		\$3 prepaid	Free	\$114,780 (e)
Cristina-Hall Lot (Lot 25)	Agency (j)			
Validations - 2-hour		None	No change	\$0
After 6 p.m.		\$3 prepaid	Free after 9 p.m.	Negligible (c)
Sat & Sun		Sat \$9.50 max; (i) Sun \$3 prepaid	No change	\$0
Pavilion Lot North (Lot 176)	Agency			
Validations - 2-hour		Validations 5 days	Validations 7 days	See note (f)
After 6 p.m.		Free	No change	See note (f)
Sat & Sun		Free	Pay	See note (f)
Subtotal Agency Facilities				<u>\$114,780</u>
Total City and Agency Facilities With Proposed Changes				<u>\$208,900</u>

Sources: Department of Streets and Traffic, AMPCO Parking, San Jose Parking, Redevelopment Agency, and City Auditor staff.

TABLE III (Continued)

<u>Description</u>	<u>Owner</u>	<u>Current Parking Program Status</u>	<u>Proposed Changes To Parking Program</u>	<u>Estimate Of Annual Foregone Revenues And Costs Proposed Changes</u>
EXISTING PROGRAM FACILITIES:				
Third Street Garage (Lot 2)	City			
Validations - 2-hour		Validations 5 days	No change	\$16,519
After 6 p.m.		Free	No change	Unknown (g)
Sat & Sun		Free	No change	Unknown (g)
Pavilion Garage (Lot 174)	Agency			
Validations - 2-hour		Validations 5 days	No change	See note (f)
After 6 p.m.		Free	No change	See note (f)
Sat & Sun		Free	No change	See note (f)
Block 6 Garage (Lot 19)	City			
Validations - 2-hour		Validations 5 days	No change	\$11,639
After 6 p.m.		Free	No change	\$122,343
Sat & Sun		Free	No change	\$57,636 (h)
Fountain Alley Lot (Lot 6)	City			
Validations - 2-hour		Validations 7 days	No change	\$184,919
After 6 p.m.		Free	No change	\$52,174
Sat & Sun		\$.75 1/2 hour; \$9.50 max (i)	No change	\$0
Block 3 Lot (Lot 24)	Agency			
Validations - 2-hour		Validations 5 days	No change	See note (f)
After 6 p.m.		Free	No change	See note (f)
Sat & Sun		Free	No change	See note (f)
Library Validations:				
Convention Center Garage		Validations 7 days	No change	\$328,428
Cristina-Hall Lot		Validations 7 days	No change	\$85,827
Promotion/Advertising Expense				<u>\$40,000</u>
Total City And Agency Existing Program Facilities				<u>\$899,485</u>
Grand Total For Facilities With Proposed Changes And Existing Program Facilities				<u>\$1,108,385</u>

Sources: Department of Streets and Traffic, AMPCO Parking, San Jose Parking, Redevelopment Agency, and City Auditor staff.

TABLE III (Continued)

LEGEND

- (a) Department of Streets & Traffic estimates this figure based on Monday through Friday use from a sample of six weeks within the period of March through August 1990.
- (b) Department of Streets & Traffic estimates this figure based on Saturday usage from sample of six weeks within the period of March through August 1990; Department estimates low usage for Sundays which are currently free. City Auditor assumes a negligible value for Sundays.
- (c) Unable to estimate because records are not retained by AMPCO to show number of cars parked after 9 p.m.; operator anticipates low usage.
- (d) Lessor AMPCO Parking does not track validations accepted.
- (e) Block 8 Lot and a private lot share entrance and exit. Both lots are leased to AMPCO Parking Company. The change to free evenings and weekends requires an amendment to the lease agreement. The Agency's proposed lease agreement amendment memo to the Redevelopment Agency Board dated October 1, 1991, estimates monthly lease revenues to Agency will decrease by \$9,565. Not estimated is the loss of revenue to the Agency from revenues received from the Park Center Garage. It is expected that the Park Center Garage will lose some of its evening and weekend patrons to the Block 8 Lot. The Agency receives 50 percent of the evening and weekend revenues from Park Center Garage by agreement.
- (f) Facility is leased by 50 West San Fernando Associates or Melvin Simon, with no lease payments due to the Agency until 2006. Facility accepts City's two-hour validations. (Total City validation accepted at Pavilion North Lot, Pavilion Garage, and Block 3 Lot for 1990-91 totaled \$39,000.) Facility also accepts three-hour validation stamps issued under the Pavilion's own validation program.
- (g) Usage rate not tracked during free hours; Department of Streets & Traffic anticipates low usage.
- (h) City Auditor estimate is for free Saturday nights only, based on seven-month Friday evening use, annualized.
- (i) Rate is \$.75 per 30 minutes for first hour (\$1.50) and rate becomes \$.50 per 1/2 hour thereafter to daily maximum charge shown.
- (j) This privately owned lot is leased by the Redevelopment Agency; however, revenues go to the City's Parking Fund.

**Is There Justification
For Continuing Validated And Free Parking?**

Our review of the City Administration and Redevelopment Agency's presentation to the City Council on the downtown parking program revealed that it did not adequately justify continuing the validated and free parking that has been in existence for more than five years. Historically, the justification to continue the program has been the City or Agency's economic development and redevelopment plans. However, neither the City nor the Agency have quantified what benefits the program was expected to produce or reported to the City Council what benefits the program has actually produced. In other words, there seems to be an unchallengeable assumption that the downtown parking program is worth whatever it costs the City. In our opinion, the City and/or the Agency needs to establish specific and measurable objectives for the downtown parking program as a means of assessing the actual costs and benefits of the program.

When the validated parking program was started in 1986, its purpose was to compensate the downtown merchants who lost business because of the light rail Transit Mall construction. After the Transit Mall was completed, the City and the Agency made the free parking program part of a downtown retail program with the objective of increasing business activity. The downtown parking program is now firmly entrenched as an integral part of the City and Agency's downtown strategy. For example, on August 15, 1990, a Parking Advisory Commission memorandum to the City Council stated that the validated parking program was an important downtown marketing tool. Further, in their March 26, 1991, joint memorandum to the

City Council, the City Manager and the Redevelopment Agency Executive Director stated, *“The City can expect to benefit from the increased sales tax revenues resulting from the enhanced relationship between the businesses, services, and downtown patrons of the free parking program.”*

On the other hand, support for the free parking program has not been universal. For example, private parking lot owners have objected to the program on the basis of *“unfair competition sponsored by City funds.”* Others have argued that the free parking only shifts demand from privately owned lots to publicly owned parking facilities and does not necessarily attract the type of increased downtown activities or patronage targeted. In a letter presented at the June 25, 1991, City Council meeting, a private parking lot owner stated, *“People who can afford to go out to dinner, to a play, or to a nightclub are simply not going to consider a \$3-\$4 parking payment a serious impediment.”* Others feel that increasing patronage at a number of downtown night clubs (a possible result of increased free parking at night) may be to the detriment of other businesses and may have the adverse effect of more drunken driving accidents or law enforcement problems. Finally, others have questioned whether the free parking program is compatible with promoting the use of the light rail system.

Measurable Objectives For The Downtown Parking Program

According to the March 26, 1991, joint memorandum from the City Manager and the Executive Director of the Redevelopment Agency, the objectives of the proposed integrated downtown parking program with

expanded validated and free parking are to (1) encourage patronage of downtown merchants and entertainment and (2) benefit the City in the long term from increased sales tax revenues resulting from increased patronage of downtown businesses. Unfortunately, these objectives, while desirable, are not measurable because they do not quantify what results are expected over what period of time and are not susceptible to specific measurement. In other words, how does one measure increased downtown patronage or sales tax revenues or know how much of any such increases are due to the downtown parking program's free parking?

Furthermore, the City Council needs specific and measurable validated and free parking program objectives to determine when, if ever, the program should be discontinued. At the June 25, 1991, City Council meeting, Councilmember Beall said, *"How can we ever get rid of validation parking program subsidies? Free parking started during the Transit Mall construction and now it's becoming a permanent part of the City budget."* With specific and measurable objectives, the City Council would be in a better position to know when the program has accomplished its purpose.

By restating the program's objectives so that they are measurable, the City Administration and the Redevelopment Agency can specify the level of benefits that the program is expected to provide and allow a subsequent evaluation of the effectiveness of the program. For example, the City and the Agency can restate the first objective, *"to encourage patronage of downtown merchants,"* to the measurable objective, *"to increase parking customer patronage of downtown merchants by 10 percent within one year"*. The City and the Agency could then measure the increase in patronage of

downtown merchants by conducting surveys of customers using validated and free parking at the beginning of the period (to establish a benchmark) and at the end of the period.

In our opinion, the City and the Agency should restate the objectives for the proposed downtown parking program so that they clearly state what results are expected over what period of time and allow a subsequent evaluation of the effectiveness of the program.

**The City Administration And Redevelopment Agency's
Inventory Of The Downtown Off-Street Parking Facilities**

Our review of the information the City Council has received regarding downtown parking also revealed that the City Administration and the Redevelopment Agency do not have a consistent inventory of the downtown off-street parking facilities and spaces.

We requested current downtown parking inventory lists from both the Redevelopment Agency and the Streets and Traffic Department. The Streets and Traffic Department's most recent downtown parking inventory list is dated January 1991 and updates the Department's March 1990 off-street parking facility inventory.³ Redevelopment Agency staff compiled a more recent inventory of downtown parking in July 1991. According to Agency officials, their staff personally visited and verified over 90 percent of the facilities on the list. However, these two inventories of off-street parking

³ The January 1991 list was the most recent available at the time of the City Auditor's August 1991 inventory; however, the Streets and Traffic Department subsequently provided a list dated September 1991. The Department's September inventory is not substantially different from January's (showing changes on five facilities and one additional lot for a net total of 63 fewer spaces).

facilities contain some very different information as to facility identification, location, ownership, and number of spaces in each facility.

On August 22, 1991, City Auditor's Office staff physically inventoried the off-street parking facilities and parking spaces available in the downtown area. Appendix B summarizes the results of our physical inventory of downtown off-street parking facilities and spaces. Appendix B also includes the City and the Redevelopment Agency's space counts on existing facilities as shown on their most recent inventories and on some of the proposed new facilities as well.

The total number of existing parking spaces that the City and the Redevelopment Agency reported and City Auditor's Office verified do not differ significantly. However, the number of spaces shown for individual facilities do indicate some inconsistencies. For example, the City and the Redevelopment Agency include some, but not all, parking lots or facilities that are not available to the public. Furthermore, the City's counts of parking spaces in certain facilities differ significantly from those of the Redevelopment Agency.

In our opinion, the City and the Redevelopment Agency should have a reasonably accurate and up-to-date parking inventory for use in managing current operations. Both the City and Redevelopment Agency should be consistent as to the types of facilities or lots to be included and the definition of what is a "parking space." According to City and Redevelopment Agency staff, parking spaces in certain areas of downtown are more valuable in terms of relieving parking problems than those in other downtown areas.

Accordingly, emphasis should be placed on accurately and consistently inventorying the parking supply at those critical areas as a basis for monitoring the downtown parking supply from year to year. Identifying the types of facilities and lots to be included and defining what a “parking space” is will also allow independent verification of reported available downtown parking. A consistent, current, and reasonably accurate inventory of downtown parking should prove useful to the City, Redevelopment Agency, and City Council when formulating downtown parking policies.

Both the City and the Redevelopment Agency have conducted parking inventories and surveys in the past. However, there is apparently no specific policy designating who is responsible for creating and maintaining the database of information about parking facilities in downtown San Jose. In addition, there are no written policies or procedures for (1) conducting parking inventories, (2) including or not including parking spaces that are not available to the general public, (3) including or not including specific information, (4) scheduling physical counts, (5) verifying information, or (6) sharing the results of physical counts with other City departments or the Redevelopment Agency.

Since management of on-street and off-street parking is the functional responsibility of the Streets and Traffic Department, it seems reasonable that the Department should be responsible for developing and maintaining the parking supply inventory records. However, the City should coordinate its parking information with the Redevelopment Agency in view of the Agency’s downtown redevelopment responsibilities. In our opinion, the City Council should direct the City Administration and the Redevelopment

Agency to work together to maintain a current, complete, and consistent inventory of downtown off-street parking facilities and parking spaces.

CONCLUSION

Our review revealed that the City Administration and Redevelopment Agency's June 25, 1991, presentation to the City Council for an expanded downtown parking program did not

- Clearly define which off-street parking facilities would be affected by the validated and free parking aspects of the proposed downtown parking program or give a clear picture of what those changes would be;
- Accurately report the total cost of the current or proposed downtown validated and free parking programs; or
- Justify continuing the existing validated and free parking programs or set measurable objectives for them.

Furthermore, our review disclosed that the City and the Redevelopment Agency do not have a consistent inventory of the downtown off-street parking facilities and spaces.

RECOMMENDATIONS

We recommend that the City Manager and/or the Redevelopment Agency take the following actions:

Recommendation #1:

Set specific and measurable objectives for the validated and free parking under the downtown parking program to allow for an assessment of the need to continue the program. (Priority 2)

Recommendation #2:

Maintain a current, complete, and consistent inventory of downtown off-street parking facilities and spaces, including written procedures for (1) conducting parking inventories, (2) including or not including parking spaces that are not available to the general public, (3) including or not including specific information, (4) scheduling physical counts, (5) verifying information, or (6) sharing the results of physical counts with other City departments or the Redevelopment Agency. (Priority 3)

OTHER PERTINENT INFORMATION

Impact Of Free Parking On Private Parking Lot Owners

Private parking lot owners and operators have expressed concern that the proposed expansion of free evening and weekend parking would result in revenue losses at their facilities adjacent to the Market Street Garage and the Block 8 Lot. The City/Agency downtown parking program proposal to the City Council did not address the financial impact the proposal could have on private parking lot owners and operators. As part of our review, we surveyed downtown private parking lot owners and operators. Private parking lot owners and operators in the vicinity of the Market Street Garage and the Block 8 Lot anticipate significant losses due to the proposed free parking program. City Administration officials, on the other hand, expect that private lots will significantly benefit from increased parking volume due to the San Jose Arena and the advertising and publicity campaigns to promote the San Jose downtown.

The downtown parking program currently offers free evening and weekend parking and a merchant validation program at several publicly owned parking facilities. The proposed downtown parking program expands the program at the following facilities:

- Market Street Garage
- Block 8 (Montgomery Theater) Lot
- Convention Center Garage
- Cristina-Hall (Center for Performing Arts) Lot
- Pavilion North Lot

More than 60 percent of the parking spaces downtown are considered private--that is, owned by corporations or individuals. Furthermore, these parking spaces are spread all over the downtown area. Accordingly, any change to the City's validated or free parking programs could affect privately owned facilities. This is especially true for private parking lots in the vicinity of the Market Street Garage and the Block 8 Lot.

The Market Street Garage is a City-owned, AMPCO-operated facility with over 1,400 parking spaces. The garage charges for daytime, evening, and Saturday parking (but is free on Sundays). Under the proposed expansion of the downtown parking program, the garage would be free of charge evenings after 6:00 p.m. and weekends. Six private parking lots operate in the immediate vicinity of the Market Street Garage. Most charge \$3 per entry evenings and weekends.

The Block 8 Lot is a lot the Redevelopment Agency owns and leases to AMPCO. The lot shares an entrance with the adjacent privately owned Market/San Carlos Street Lot. The 218-space Block 8 Lot charges for day, evening, and weekend parking. Under the proposed program, the lot would be free evenings and weekends. The lot currently accepts, and would continue to accept, merchant validations on weekdays. There are three privately owned parking lots in the immediate vicinity of the Block 8 Lot, as well as the Fairmont Hotel and Fairmont Plaza garages.

The City Auditor's Office surveyed parking lot owners and operators in the downtown area and asked them to quantify what effect they expect to see on their parking volume as a result of the proposed changes to the

downtown parking program. Survey respondents in the immediate vicinity of the Market Street Garage and the Block 8 Lot estimated that they would lose 40 percent to 50 percent of their evening and weekend traffic as a result of the proposed downtown parking program. According to respondents, the proposal places private facilities, which typically charge \$3 per entry (evenings and weekends), in direct competition with publicly owned facilities, which would be free. They agreed unanimously that there would be a negative impact on their parking revenues. Some characterized the impact the proposed downtown parking program would have on their parking revenues as “*dramatic*” and “*damaging*” or even an “*unconscionable burden*.”

Specifically, private operators of five facilities estimated that they would lose significant business to the Market Street Garage and the Block 8 Lot. In dollar terms, their estimates ranged from \$600 per month to \$13,000 per month depending on the size, current volume of business, and the location of each particular parking facility. The cumulative total of these estimates is \$26,000 per month or \$312,000 per year. The City Auditor’s Office could not verify these estimates of future losses because they are based on predictions of where people might choose to park under certain, as yet, nonexistent conditions.

City Administration and Redevelopment officials counter that expected increased demand for downtown parking will more than offset any potential short-term negative effects on private parking lot operators. They point to the advertising and publicity campaign surrounding the downtown parking program, new businesses in the downtown, and particularly the new

San Jose Arena as sources of increased demand for downtown parking. Based on the Parking Advisory Commission's recommendation, the City Administration and the Redevelopment Agency plan to analyze the effect of the program on private parking lot owners and operators six months after the start of the proposed program.